

Message Text

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ACTION EB-07

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USMISSION OECD PARIS
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

C O N F I D E N T I A L BONN 21004

E.O. 11652: GDS
TAGS: UNCTAD, CIEC, EAID, ETRD, EEC
SUBJECT: UNCTAD: FRG POSITION ON COMMON COMMODITY
FUND

REF: (A) GENEVA 9679; (B) BONN 12604; (C) EC BRUSSELS
11377; (D) EC BRUSSELS 8632; (E) LONDON 20058

1. SUMMARY. ECON COUNSELOR DISCUSSED UNCTAD COMMON
COMMODITY FUND PROPOSALS WITH MUELLER-THUNS, FRG
DELEGATE AT RECENT GENEVA SESSIONS AND WITH DR. KIPPER,
DIRECTOR OF OFFICE OF COMMODITY POLICY AT ECONMIN.
MUELLER-THUNS OUTLINED GERMAN POSITION ON THE COMMON
FUND AND COMMENTED ON THE TIMETABLE FOR FUTURE
DISCUSSIONS. END SUMMARY.

2. MUELLER-THUNS EMPHASIZED THAT THE FRG REMAINS
OPPOSED TO THE TACTICAL APPROACH BEING USED BY THE
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GROUP OF 77. THE FRG CONTINUES TO BELIEVE THAT

ARRANGEMENTS FOR INDIVIDUAL COMMODITIES SHOULD BE DISCUSSED BEFORE THE ORGANIZATION OF A COMMON FUND IS CONSIDERED. WHILE THEY BELIEVE THAT THEIR POSITION ON INDIVIDUAL COMMODITY AGREEMENTS IS SOMEWHAT MORE FORTHCOMING THAN THE U.S. POSITION, THEY NONETHELESS GENERALLY SHARE OUR FEELINGS ON TACTICS AND ON THE COMMON FUND.

3. ACCORDING TO MUELLER-THUNS, THE FRG IS PREPARED TO EMBRACE THE CONCEPT OF A COMMON FUND WITH A CLEARING HOUSE FUNCTION IF OPEC KEEPS ITS PRICE RISE FOR 1977 AT A MODERATE LEVEL. CHANCELLOR SCHMIDT HAS REPORTEDLY ESTABLISHED SUCH A LINK BETWEEN THE OIL PRICE INCREASE AND PROGRESS IN THE NORTH/SOUTH DIALOGUE. IN THE GERMAN VIEW THE COMMON FUND CLEARING HOUSE WOULD HORIZONTALLY LINK BUFFER STOCKS FOR INDIVIDUAL COMMODITIES AND WOULD PERMIT LENDING AND BORROWING AMONG THE BUFFER STOCKS (SEE REF D). BUT THE COMMON FUND WOULD HAVE NO COMMODITY MANAGEMENT FUNCTION AND NO SEPARATE FINANCIAL RESOURCES ("NO OWN FUNDS"). THUS NO GOVERNMENT GUARANTEES OR FINANCIAL SUPPORT WOULD BE REQUIRED AND THE FUND WOULD HAVE ONLY A SMALL ADMINISTRATIVE BUDGET.

4. THE EXPECTED FRG DECISION TO SUPPORT THE CLEARING HOUSE CONCEPT OF A COMMON FUND STEMS FROM THE FRG POSITION THAT THE NORTH/SOUTH DIALOGUE MUST NOT BE ALLOWED TO FAIL. THE GERMANS HOPE THAT THEIR PROPOSAL MAY HEAD OFF CONFRONTATION IN THE COMMODITY FIELD, ALTHOUGH THEY REALIZE THAT THE ACCEPTANCE OF A COMMON FUND OF ANY SORT COULD OPEN THE DOOR TO DEMANDS FOR MORE CONCESSIONS ON THE PART OF THE GROUP OF 77.

5. EC MEMBER STATES WILL MEET EARLY IN JANUARY TO ATTEMPT ONCE AGAIN TO ARRIVE AT A COMMON POSITION FOR THE NEXT UNCTAD SESSION IN LATE JANUARY. MUELLER-THUNS WAS NOT OPTIMISTIC THAT THE NINE COULD COME TOGETHER BEHIND ONE SPECIFIC PROPOSAL. ALTHOUGH EXPRESSING CONSIDERABLE CONFIDENCE IN THE CHAIRMAN OF GROUP B, HE WAS ALSO DOUBTFUL THAT THE MEMBERS

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OF THAT GROUP COULD ACHIEVE ANYTHING RESEMBLING AGREEMENT AT THEIR SESSION IN MID-JANUARY. HE EXPECTS THAT THE UNCTAD COMMON FUND MEETINGS IN LATE JANUARY WILL COVER MUCH OF THE SAME GROUND THAT WAS COVERED IN EARLY DECEMBER AND THAT A FINAL DECISION IS STILL SEVERAL MONTHS OFF.

STOESSEL

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